Thirty Second Sovereign Debt News Update: The Utility and Pitfalls of Public Private Partnerships

By:

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As the Kenyan government grapples with its escalating debts and with options for borrowing getting narrower, Public Private Partnerships are being considered to finance its significant infrastructure projects. Seven of those projects have so far been approved by the PPP Committee including the Nairobi Expressway, the Ngong-Kiserian-Isinya annuity road, Malindi Solar, Alten Solar, Cedate Solar Power, Chania Green and Selenkei Solar Power. However, a recent disclosure by the National Treasury reveals that a premature termination of these projects may make the Kenyan government liable to as much as KSh158.8 billion ($1.4 billion) in damages.

Meanwhile, Zimbabwe, having lost an international arbitration case relating to a certain public private partnership in which a nickel and platinum ventures was cancelled, is required to make a payment of $70 million debt in judgment debt. The Judgment creditors, including Amaplat Mauritius Ltd have proposed the payment of $15 million to the respective countries outside the country through the Reserve Bank of Zimbabwe, the payment of the Euro equivalent of $30 million into an international bank account held by Amaplat and the transfer of $25 million worth of mining assets to the respective companies. The alternative is prescribed to be the seizure of assets owned by Zimbabwe Mining Development Corp.

With the intent of facilitating prudent debt management, effecting financial sector reforms and supporting capital market development, the African Development Bank Group (AfDB) in partnership with the Ghanaian Ministry of Finance has launched a $7.4 million institutional Support project. According to the African Development Bank Country Manager for Ghana, Eyerusalem Fasika, the project is in tandem with the AfDB's Country Strategy Paper (2019-2023) as well as Ghana's medium-term development objectives and the Finance Ministry's 2018-2021 strategic plan.

Similarly, in line with its Ten-year strategy (2013-2022) and in animating its High Five strategic priorities including industrializing Africa and improving the quality of life of Africans, the Board of Director of the African Development Bank has approved a $137 million in financing to the Botswanan government to facilitate post-Coivd-19 economic recovery. The aim is to enhance domestic resource mobilization, attenuate fiscal risks, enhance macroeconomic performance and provide fiscal space for social safety nets.

At an event in South Africa that included a number of Civil Society Organization, a former president of Nigeria, Olusegun Obasanjo lent his voice in reproving the current administration on its inordinate borrowing. He particularly highlighted the inefficiency in borrowing for the purpose of covering recurrent expenses and warned against the ramifications on future generations.

At a speech delivered in Khartoum, Sudan ahead of the annual meeting of the World Bank and International Monetary Fund in Mid-October, the President of the World Bank Group, David Malpass, warns that as the DSSI initiative expires at the end of the year, low-income countries are likely to face shrinks in their fiscal space. Therefore, Malpass called for countries to consolidate their fiscal policies to achieve a people-oriented regime while restructuring unsustainable debts including through the utility of the G20 common framework.

In her recent meeting with the members of the local business class of the Central Bie Province, the Angolan Minister of Finance, Vera Daves committed to paying domestic debts owed by the government with priority given to certified debts.

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